



***FCC Triennial Review –
What's Necessary for
Facilities-Based
Competition***





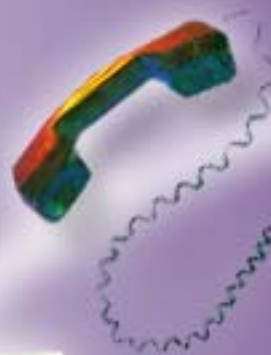
Alaska

**1/5 Size of Contiguous U.S.
Road system is the size of New Hampshire's**





local



cable tv



internet

wireless



long distance



GCI Services & Facilities

Offices

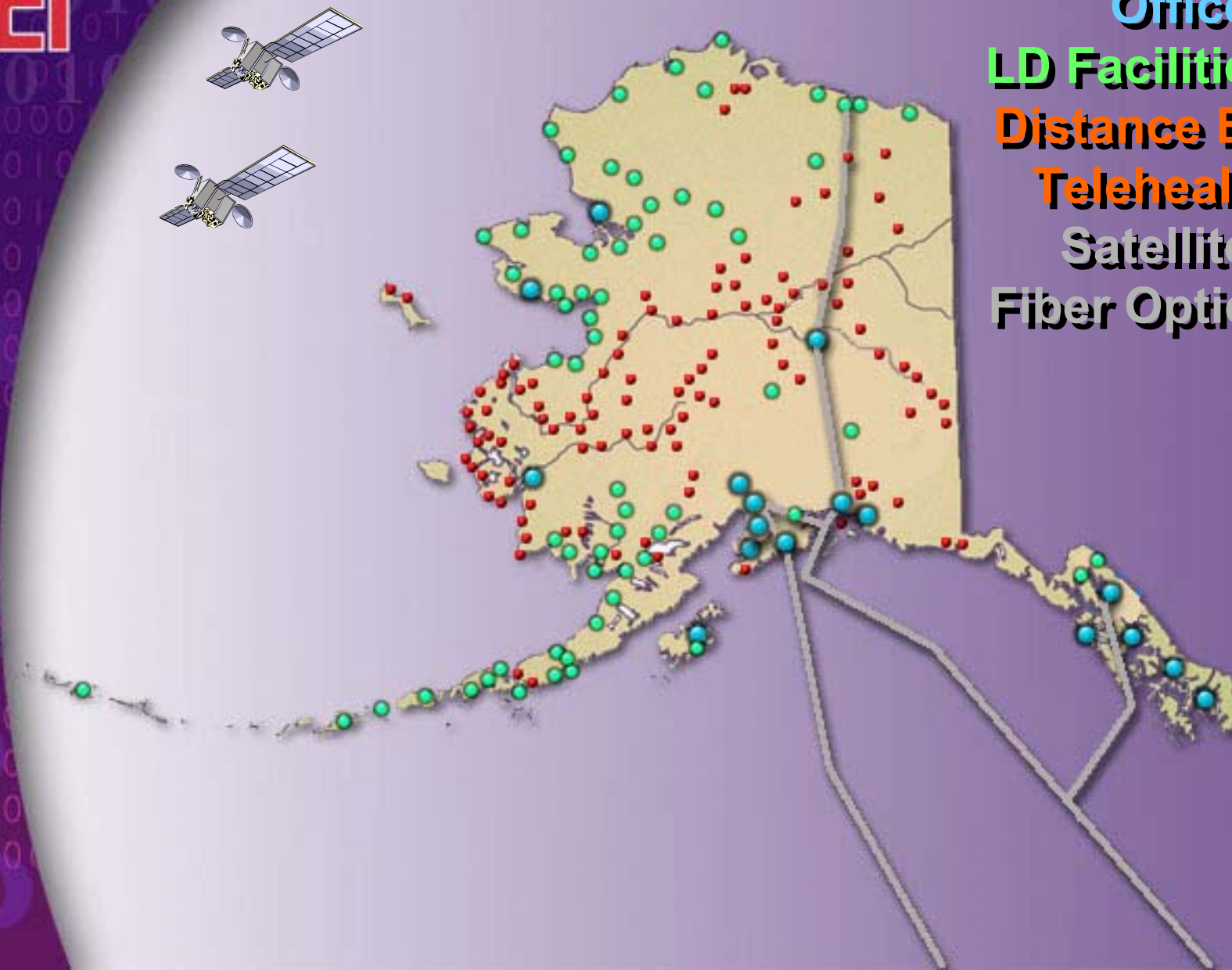
LD Facilities

Distance Ed

Telehealth

Satellites

Fiber Optics





GCI--Who We Are

- **1996 Telecom Act Success Story**

- Facilities-based IXC**

- Facilities-based CLEC**

- CATV MSO**

- ISP (dial-up, cable modem, wireless, DSL)**

- **Services in Alaska**

- IXC--45% market share**

- CLEC--45% in Anchorage (90% on UNEs);**

- 21% in Fairbanks; 14% in Juneau.**

- MSO--Passes 90% of HH in Alaska. 85% of Alaska HH have access to cable modems.**

- ISP--State's largest dial-up and hi-speed access provider; 285+ schools; 70+ clinics.**

- Hi-speed Internet access available to all GCI-served communities by 2004 via wireless (802.11), or cable modem.**



Entering Local Markets

- **Prefer own facilities. Investing in cable telephony.**
- **Use UNE loops until cable telephony, and where cable networks do not go (e.g. business areas).**
- **Use UNE-P where cannot access UNE loops.**



Barriers to Use of Own Loop Facilities

- **Building access problems preclude expanding service to other buildings.**
- **In-building sub-loop unbundling necessary when conduits are full.**
- **Cable telephony -- Not yet a commercial, operational reality.**



UNE-L – When It Can Work (but it is hard)

- **Loops – Must be actually available.**
- **Ordering & Provisioning –**
 - **Timely & Nondiscriminatory**
 - **Adequate Volumes at Reasonable Rates**
- **Collocation**
- **Transport**



Loops – Actual Availability

- **UNE loops behind DLCs/concentrators cannot be accessed from the CO unless GR-303 compatible.**
 - Feasible – GCI has implemented GR-303.
- **ILECs can't withhold loop equipment & services provided for retail affiliates (e.g. DAMLs, additional service drop).**
- **Conditioned loops are just loops, and need to be available for GCI to use with its own electronics.**



Ordering & Provisioning – Must Be Timely & Nondiscriminatory

- **Need adequate volumes at reasonable rates.**
 - **Alaska Commission found ACS discriminates.**
 - **Needed volumes will grow.**
 - **Alaska fees for loop cutover are \$9.56 (Fairbanks & Juneau) to \$22.25 (Anchorage).**
- **Discrimination is a big problem.**
 - **UNE and TSR orders were backlogged. Only relieved in response to regulators.**
 - **Ordering problems slow entry.**



Ordering & Provisioning – Monitoring & Enforcement

- **Current rules are inadequate on monitoring and enforcement of ordering and provisioning requirements.**
- **Need to require that interconnection agreements contain definitions of parity and metrics.**
- **Need to require that interconnection agreements contain self-executing enforcement with liquidated damages (UNE Performance Measures NPRM). Today, obstruction & discrimination pay!**



Collocation & Transport – GCI's Advantages & ILEC Abuses

- **GCI has its own fiber rings connecting LEC end offices with GCI's switch.**
- **Space and cost make collocation difficult & uneconomic in some locations, and collocation takes time.**
- **ILEC frustrates GCI fiber use by converting end offices to remotes (eliminating collocation for interexchange traffic).**
- **ILECs should be precluded from charging for unused IX entrance facilities when GCI uses own fiber and collocates.**



Non-Impairment for Switching – A Local Determination

- **Factual findings to support finding of non-impairment are highly localized, and cannot be made by the FCC on a nationwide basis.**
 - **Cutover volume/capacity varies with market size.**
 - **DSL/concentrators vary by market.**
 - **Ordering/provisioning are company specific.**
- **CLEC is impaired without unbundled switching when and where conditions not met.**
 - **Presumption should be impairment.**
- **Limit any changes in switching to top 50 MSAs.**



UNEs and Facilities Investment

- **UNEs (including UNE-P) complement facilities investment, and allow facilities-based carrier to fill out its footprint.**
- **Hidden costs of dealing with ILEC mean CLECs will use own facilities whenever possible.**
- **UNEs are not “devaluing” GCI’s facilities investments.**



ACS' Regulated Telephone Cos.

- **Operating income from local telephone cos. is consistent 2000-2002 (annualized). Revenues *increased* even as retail lines were lost to UNE competition.**
- **ACS is losing money in competitive, non-regulated businesses such as Internet and Long Distance.**
- **ACS overpaid in its 1999 LBO by \$250M over book.**



UNE Entry Is Not Driving ACS Into Bankruptcy

ACS Operating Cos.	1999	2000	2001	2002 (ann.)	Change 1999-2002
Operating Revenue (\$ millions)	\$222	\$222	\$221	\$229	3.12%
EBITDA	N/A	\$91.3	\$100.7	\$109.2	8.44% (2000-2002)
Retail Access Lines	281,726	272,936	261,002	241,583	-14.25%
UNE Lines	28,202	39,221	49,062	60,504	114.54%
Total Local Lines	325,608	329,460	332,923	327,161	0.48%

Source: ACS 10/02 10-Q; 2001 10-K